

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2014-2-E - ORDER NO. 2014-380

APRIL 29, 2014

IN RE: Annual Review of Base Rates for Fuel Costs for South Carolina Electric & Gas Company	) ) ) ) )	ORDER APPROVING FUEL COSTS AND ADOPTING SETTLEMENT AGREEMENT
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This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of the fuel purchasing practices and policies of South Carolina Electric & Gas Company (“SCE&G” or “Company”) and for a determination as to whether any adjustment in the fuel cost recovery factors is necessary and reasonable. The procedure followed by the Commission in this proceeding is set forth in S.C. Code Ann. § 58-27-865 (Supp. 2013). Specifically, S.C. Code Ann. § 58-27-865(B) states in pertinent part that, “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.” The period under review in this Docket is January 1, 2013 through December 31, 2013 (“Review Period”).

By letter dated October 15, 2013, the Commission’s Clerk’s Office instructed the Company to publish a Notice of Hearing and Prefile Testimony Deadlines (“Notice”) in newspapers of general circulation in the area affected by the Commission’s annual review

of the Company's fuel purchasing practices and policies by January 6, 2014. The letter also instructed the Company to furnish the Notice to its customers by U.S. Mail, or by electronic mail to customers who have agreed to receive notice by electronic mail, by January 6, 2014. On October 28, 2013, and before SCE&G had furnished the Notice to its customers, the Commission Clerk's Office replaced the Notice by issuing a Revised Notice of Hearing and Prefiling Testimony Deadlines ("Revised Notice"). The Revised Notice indicated the nature of the proceeding and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. On December 23, 2013, the Company filed with the Commission affidavits demonstrating that the Revised Notice was duly published in accordance with instructions set forth in the Clerk's Office October 15 letter and certified that a copy of the Revised Notice was furnished to each affected customer.

Petitions to Intervene were received from CMC Steel South Carolina ("CMC Steel") and the South Carolina Energy Users Committee ("SCEUC"), which were not opposed. The South Carolina Office of Regulatory Staff ("ORS") is automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2013).

The Commission convened a hearing on this matter on April 3, 2014, with the Honorable G. O'Neal Hamilton, Chairman, presiding. SCE&G was represented by K. Chad Burgess, Esquire, and Matthew W. Gissendanner, Esquire. SCEUC was represented by Scott Elliott, Esquire. CMC Steel and its counsel of record did not appear at the hearing. Jeffrey M. Nelson, Esquire, represented ORS. In this Order, ORS,

SCEUC, CMC Steel and SCE&G are collectively referred to as the “Parties” or sometimes individually as a “Party.”

At the outset of the hearing, counsel for ORS presented a Settlement Agreement that had been filed with the Commission on March 27, 2014. The signatories to the Settlement Agreement were SCE&G, ORS, and SCEUC (collectively, the “Settling Parties”). The Settlement Agreement was admitted into the record as Hearing Exhibit 1 and is attached hereto and incorporated herein as Order Exhibit No. 1. In the Settlement Agreement, the Settling Parties represented to the Commission that they had discussed the issues presented in this case and determined that each Settling Party’s interests and the public interest would be best served by settling all issues pending in this case in accordance with the terms and conditions contained in the Settlement Agreement.

Through their personal appearances, SCE&G presented the testimonies of George A. Lippard, III, Joseph K. Todd, Rose M. Jackson, Michael D. Shinn, Keith C. Coffey, Jr., and Allen W. Rooks. Through their personal appearances, ORS presented the testimonies of Ivana C. Gearheart and Michael L. Seaman-Huynh. SCEUC and CMC Steel did not present witnesses at the hearing. The testimonies and exhibits of the SCE&G witnesses were admitted into the record of the case without objection. SCE&G presented its witnesses in three panels. Witnesses Lippard and Todd were presented in the first panel, Witnesses Shinn and Jackson in the second panel, and Witnesses Coffey and Rooks were presented in the third panel. ORS witnesses Gearheart and Seaman-Huynh were presented as a panel and their testimonies admitted into the record without

objection. Each of the witnesses presented summaries of their testimony and then were made available to respond to questions from the Commission.

SCE&G witnesses testified in support of the Settlement Agreement and on issues related to the prudence of SCE&G's fuel purchasing practices, plant operations, fuel inventory management, and the use of gains from interest rate swap settlements to offset fuel costs. SCE&G witness Lippard discussed the operating performance of the V.C. Summer Nuclear Station. Witness Lippard testified that, consistent with the provisions of Section 58-27-865 of the South Carolina Code of Laws, as amended, V.C. Summer's net capacity factor based on reasonable excludable nuclear system reductions during the Review Period was 102.1%, exceeding the 92.5% standard for a rebuttable assumption of prudence outlined in the Code of Laws.

SCE&G witness Todd reviewed the operating performance of the Company's fossil/hydro units and of South Carolina Generating Company's Williams Electric Generating Station. SCE&G witness Jackson provided testimony about the natural gas and nuclear fuel purchasing processes for SCE&G generation and discussed natural gas and uranium prices as well as the near term outlook. Company witness Shinn discussed the Company's procurement and delivery activities for coal and No. 2 fuel oil for electric generation, the changes that have occurred in coal markets since the last annual fuel adjustment hearing and how these changes affected coal procurement during the Review Period and are anticipated to affect future procurement. Mr. Shinn also discussed the procurement and delivery of limestone for the wet scrubbers at Wateree and Williams Stations. Company witness Rooks provided actual fuel cost data for the historical

Review Period; projected fuel costs for the period January 1, 2014, through April 30, 2015; and recommended fuel rates for the period of May 2014, through April 2015. He further explained that, because the Commission had recently approved a reduction to the Company's pension costs rider in Docket No. 2014-88-E, the total fuel costs factors proposed in this proceeding would not impact any retail customer's total energy charges and as a result, there would be no change in the average residential monthly bill. Company witness Coffey described for the Commission the Company's use of gains from the settlement of certain forward-starting interest rate swap contracts to offset fuel costs and the Company's adjustment to its Rider Related to Pension Costs to offset the adjustment in the Company's base fuel factor proposed in this proceeding.

ORS witness Gearheart testified and presented the results of the ORS Audit Department's examination of the Company's books and records pertaining to the Fuel Adjustment Clause operation for the Review Period, and the Company's estimated calculations for the months of January 1, 2014, through April 30, 2014. Witness Gearheart testified that ORS made an over-recovery adjustment, which was accepted by the Company, of \$100,562 to account for Santee Cooper's portion of the electric costs at the new nuclear construction site for the estimated months of February through April 2014. Based on the ORS Audit Department's examination of the Company's books and records, and the Company's operation of the fuel cost recovery mechanism, ORS witness Gearheart testified that the Company's books and records accurately reflect the fuel costs incurred by the Company in accordance with previous Commission orders and with S.C. Code Ann. § 58-27-865 (Supp. 2013). ORS witness Seaman-Huynh testified to the ORS

Electric Department's findings resulting from ORS's review of the Company's fuel expenses and power plant operations used in the generation of electricity during the Review Period. Based on ORS's review of the Company's operation of its generating facilities during the Review Period, ORS witness Seaman-Huynh testified that the Company made reasonable efforts to maximize unit availability and minimize fuel costs during the Review Period.

The testimonies of SCE&G witness Rooks and ORS witness Seaman-Huynh supported the terms of the Settlement Agreement regarding the appropriate fuel factors for SCE&G to charge for the period beginning with the first billing cycle for May 2014, and continuing through the last billing cycle for April 2015. Under the terms of the Settlement Agreement, SCE&G agrees to carry forward an amount equal to the actual base fuel (under)-recovered balance as of April 30, 2014, which is projected to be (\$54,444,098). Carrying costs will be permitted for any (under)-collected amounts of base fuel costs from May 1, 2014, through April 30, 2015, at the rate of interest as of the first day of each month during the applicable period for the 3-year U.S. Government Treasury Note as reported by *The Wall Street Journal* plus an all-in spread of 65 basis points (0.65 percentage points).

For the period of the first billing cycle for May 2014, through the last billing cycle for April 2015, the Settlement Agreement sets forth the appropriate fuel factors, in cents per kilowatt-hour ("cents/kWh"), for SCE&G to charge. These fuel factors are listed in the table below:

<b>Class</b>	<b>Base Fuel Cost Component (cents/kWh)</b>	<b>Variable Environmental Cost Component (cents/kWh)</b>	<b>Total Fuel Costs Factor (cents/kWh)</b>
Residential	3.325	0.079	3.404
Small General Service	3.325	0.066	3.391
Medium General Service	3.325	0.055	3.380
Large General Service	3.325	0.036	3.361
Lighting	3.325	0	3.325

After hearing the evidence and testimony of the witnesses and reviewing the Settlement Agreement, the Commission finds and concludes that SCE&G's fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (Supp. 2013) are reasonable and prudent, and that approval of the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2013). The Settlement Agreement allows recovery by SCE&G of fuel costs as precisely and promptly as possible and in a manner to assure public confidence and minimize abrupt changes in charges to customers. As such, it is in the public interest as a reasonable resolution of the issues in this case. We also find that the resolution of issues among the Settling Parties as set forth in the Settlement Agreement does not appear to inhibit economic development.

IT IS THEREFORE ORDERED THAT:

1. The fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (Supp. 2013) of SCE&G are reasonable and prudent for the period January 1, 2013, through December 31, 2013.

2. The Settlement Agreement, incorporated herein by this reference, is found to be a reasonable resolution to the issues in this case, is in the public interest and is therefore hereby adopted and approved. The Commission also approves the tariff sheet attached to the Settlement Agreement as Exhibit A entitled “Adjustment for Fuel and Variable Environmental Costs.”

3. SCE&G shall set its Base Fuel Cost Component, Variable Environmental Cost Components and Total Fuel Cost Factors consistent with the amounts set forth in the table below effective for bills rendered on and after the first billing cycle for May 2014, and continuing through the last billing cycle for April 2015.

<b>Class</b>	<b>Base Fuel Cost Components (cents/kWh)</b>	<b>Variable Environmental Cost Components (cents/kWh)</b>	<b>Total Fuel Costs Factors (cents/kWh)</b>
Residential	3.325	0.079	3.404
Small General Service	3.325	0.066	3.391
Medium General Service	3.325	0.055	3.380
Large General Service	3.325	0.036	3.361
Lighting	3.325	0	3.325

4. The Parties shall abide by all terms of the Settlement Agreement.

5. SCE&G shall file with the Commission the tariff sheet approved by this Order entitled “Adjustment for Fuel and Variable Environmental Costs” and all other retail tariff sheets within ten (10) days of receipt of this Order, and also serve copies on the Parties. The fuel rates reflected in any such tariff sheets shall be consistent with the components and factors set forth in ordering Paragraph No. 3 above.



6. SCE&G shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865(B) (Supp. 2013).

7. SCE&G shall continue to file the monthly reports as previously required. SCEUC shall also be provided a copy of the monthly reports.

8. SCE&G shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit. ORS shall monitor the cumulative recovery amount.

9. SCE&G shall submit monthly reports of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 megawatts or greater to the Commission and ORS.

10. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



Nikiya Hall, Vice Chairman

(SEAL)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2014-2-E**  
**March 27, 2014**

IN RE:      Annual Review of Base Rates for Fuel Costs      )  
                 of South Carolina Electric & Gas Company      )      **SETTLEMENT AGREEMENT**

This Settlement Agreement is made among the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Energy Users Committee (“SCEUC”), and South Carolina Electric & Gas Company (“SCE&G” or the “Company”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-27-865 (Supp. 2013), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have varying legal positions regarding the issues in this proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interests and the public interest would be best served by settling matters in the above-captioned case under the terms and conditions set forth below:

1. ORS's review of SCE&G's operation of its generating facilities resulted in ORS concluding that SCE&G has made reasonable efforts to maximize unit availability and minimize fuel costs. Additionally, ORS has determined that SCE&G took appropriate corrective action with respect to outages that occurred during the review period of January 1, 2013, through December 31, 2013. Further, ORS has concluded that, subject to the adjustments set forth in its pre-filed direct testimony, SCE&G's accounting practices are in compliance with S.C. Code Ann. § 58-27-865 (Supp. 2013).

2. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

a. SCE&G witnesses:

- i. George A. Lippard, III
- ii. Joseph K. Todd
- iii. Michael D. Shinn
- iv. Rose M. Jackson
- v. Keith C. Coffey, Jr.
- vi. Allen W. Rooks

b. ORS witnesses:

- i. Ivana C. Gearheart
- ii. Michael L. Seaman-Huynh

3. SCE&G and SCEUC agree with the accounting adjustment proposed by ORS. Accordingly, SCE&G's net cumulative (under)-recovered balance of total fuel and variable environmental costs for the periods ending December 31, 2013, and projected through April 30, 2014, are (\$60,509,405) and (\$54,444,098), respectively. As of December 31, 2013, the net cumulative (under)-recovered balance of (\$60,509,405) consists of cumulative (under)-recovered

base fuel costs of (\$60,307,192) and cumulative (under)-recovered environmental costs of (\$202,213). As of April 30, 2014, the projected net cumulative (under)-recovered balance of (\$54,444,098) consists of cumulative (under)-recovered base fuel costs of (\$54,247,591) and cumulative (under)-recovered environmental costs of (\$196,507). The projected net cumulative (under)-recovered balance as of April 30, 2014, totaling (\$54,444,098) reflects the application of an estimated \$46 million of gains from the settlement of certain forward-starting interest rate swap contracts to reduce fuel costs.

4. The Parties agree that the appropriate fuel factors for SCE&G to charge pursuant to this Settlement Agreement for the period beginning with the first billing cycle for May 2014 and extending through the last billing cycle for April 2015 are listed below and set forth in the tariff sheet entitled "Adjustment for Fuel and Variable Environmental Costs," which is attached hereto as Exhibit A.

<b>Class</b>	<b>Base Fuel Cost Component (cents/kWh)</b>	<b>Environmental Fuel Cost Component (cents/kWh)</b>	<b>Total Fuel Costs Factor (cents/kWh)</b>
Residential	3.325	0.079	3.404
Small General Service	3.325	0.066	3.391
Medium General Service	3.325	0.055	3.380
Large General Service	3.325	0.036	3.361
Lighting	3.325	--	3.325

5. The Parties agree that the total fuel costs factors set forth in Paragraph 4 do not completely eliminate the (under)-collected balance of total fuel costs. Therefore, the Parties agree that SCE&G will be allowed to charge and accrue carrying costs monthly on its base fuel (under)-collected balance. The applicable period during which carrying costs may be applied pursuant to this Settlement Agreement begins May 1, 2014, and ends April 30, 2015. The applicable interest rate used to calculate the carrying costs under this Settlement Agreement is

the rate of interest as of the first day of each month during the applicable period for the 3-year U.S. Government Treasury Note, as reported by the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points).

6. In Docket No. 2014-88-E, SCE&G proposed decreasing its Rider Related to Pension Costs ("Pension Rider") from \$0.00051 per kilowatt-hour ("kWh") to \$0.00004 per kWh, resulting in a reduction in the Pension Rider of \$0.00047. The Parties agree that the rate rider decrease proposed in Docket No. 2014-88-E offsets the adjustment to the base fuel factor set forth in Paragraph 4, resulting in no net increase to retail electric customers' bills.

7. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2013). The Parties further agree that, except as provided in Paragraph 8 herein, any and all challenges to SCE&G's historical fuel costs recovery for the period ending December 31, 2013, are not subject to further review; however, the projected fuel costs for the period beginning January 1, 2014, and thereafter shall be an open issue in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (Supp. 2013).

8. With regards to plant outages not completed as of December 31, 2013, and outages where final reports of the Company, contractors, governmental entities or others are not available, the Parties agree that ORS retains the right to review the reasonableness of the plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) on such outage(s) become available.

9. SCE&G agrees to apply any money received from litigation, arbitration, or negotiated settlements with coal suppliers, where the dispute is for non-deliveries, defaults or other similar non-performance issues or for other matters related to or associated with S.C. Code

§ 58-27-865 (Supp. 2013), to reduce the fuel costs account(s). SCE&G also agrees to provide the Parties with reports showing SCE&G's efforts to seek compensation for non-deliveries, defaults or other similar non-performance upon request.

10. SCE&G agrees to provide to ORS and SCEUC the following:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
- b. Quarterly forecasts beginning with the quarter ending June 30, 2014, of the expected fuel factors to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over (under)-recovered balance to date. SCE&G agrees it will put forth reasonable efforts to forecast the expected fuel factors to be set at its next annual fuel proceeding; however, the Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceeding.

11. The Parties agree this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 (Supp. 2013) in any future proceeding.

12. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2013). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of

utility facilities so as to provide reliable and high quality utility services.”

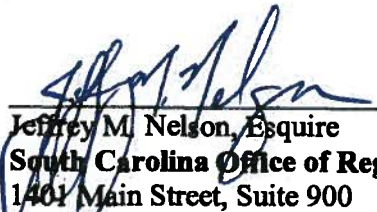
13. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable, and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

14. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will this Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve this Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from this Settlement Agreement without penalty.

15. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

**WE AGREE:**

**Representing and binding the South Carolina Office of Regulatory Staff**



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Jeffrey M. Nelson, Esquire  
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**WE AGREE:**

**Representing and binding South Carolina Energy Users Committee**

A handwritten signature in blue ink, appearing to be 'Scott Elliott', is written over a horizontal line.

**Scott Elliott, Esquire**  
**Elliott and Elliott, P.A.**  
1508 Lady Street  
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WE AGREE:

**Representing and binding South Carolina Electric & Gas Company**



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**SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**ELECTRICITY**

**ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS**

**RETAIL RATES**  
(Page 1 of 2)

**APPLICABILITY**

This adjustment is applicable to and is part of the Utility's South Carolina retail electric rate schedules.

The fuel and variable environmental costs, to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour, will be determined by the following formulas:

$$F_C = \frac{E_F}{S} + \frac{G_F}{S_1}$$

$$F_{EC} = \frac{E_{EC} + G_{EC}}{S_2}$$

$$\text{Total Fuel Rate} = F_C + F_{EC}$$

**Where:**

$F_C$  = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

$E_F$  = Total projected system fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

**PLUS**

- (B) Fuel costs related to purchased power such as those incurred in unit power and limited term power purchases where the fossil fuel costs associated with energy purchased are identifiable and are identified in the billing statement. Also, the cost of "firm generation capacity purchases," which are defined as purchases made to cure a capacity deficiency or to maintain adequate reserve levels. Costs of "firm generation capacity purchases" includes the total delivered costs of firm generation capacity purchased and excludes generation capacity reservation charges, generation capacity option charges and any other capacity charges.

**PLUS**

- (C) Fuel costs related to purchased power (including transmission charges), such as short term, economy and other such purchases, where the energy is purchased on an economic dispatch basis, including the total delivered cost of economy purchases of electric power defined as purchases made to displace higher cost generation at a cost which is less than the purchasing Utility's avoided variable costs for the generation of an equivalent quantity of electric power.

Energy receipts that do not involve money payments such as diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

**MINUS**

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as diversity energy and payback of storage energy are not defined as sales relative to this fuel calculation.

$S$  = Projected system kilowatt-hour sales excluding any intersystem sales.

$G_F$  = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in  $E_F$  and  $S$ .

$S_1$  = Projected jurisdictional kilowatt-hour sales, for the period covered by the fuel costs included in  $E_F$ .

$F_{EC}$  = Customer class variable environmental costs per kilowatt-hour included in base rates, rounded to the nearest one-thousandth of a cent.

Effective for Bills Rendered On and After  
the First Billing Cycle of May 2014

**SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**ELECTRICITY**

**ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS**

**RETAIL RATES**  
(Page 2 of 2)

$E_{EC}$  = The projected variable environmental costs including: a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts consumed in reducing or treating emissions, plus b) the cost of emission allowances, as used, including allowances for SO<sub>2</sub>, NO<sub>x</sub>, mercury and particulates minus net proceeds of sales of emission allowances, and c) as approved by the Commission, all other variable environmental costs incurred in relation to the consumption of fuel and air emissions caused thereby, including but not limited to environmental reagents, other environmental allowances, and emission related taxes. Any environmental related costs recovered through intersystem sales would be subtracted from the totals produced by subparts a), b), and c).

These environmental costs will be allocated to retail customer classes based upon the customer class firm peak demand allocation from the prior year.

$G_{EC}$  = Cumulative difference between jurisdictional customer class environmental fuel revenues billed and jurisdictional customer class environmental costs at the end of the month preceding the projected period utilized in  $E_{EC}$  and  $S_2$ .

$S_2$  = The projected jurisdictional customer class kilowatt-hour sales.

The appropriate revenue-related tax factor is to be included in these calculations.

**FUEL RATES BY CLASS**

The total fuel costs in cents per kilowatt-hour by customer class as determined by the Public Service Commission of South Carolina in Order No. \_\_\_\_\_ are as follows for the period May, 2014 through April, 2015:

<u>Customer Class</u>	<u>F<sub>C</sub> Rate</u>	+	<u>F<sub>EC</sub> Rate</u>	=	<u>Total Fuel Rate</u>
Residential	3.325		0.079		3.404
Small General Service	3.325		0.066		3.391
Medium General Service	3.325		0.055		3.380
Large General Service	3.325		0.036		3.361
Lighting	3.325		0.000		3.325